Maritime Provinces Higher Education Commission

Financial Statements
March 31, 2012

pwc

June 26, 2012

Independent Auditor's Report

To the Members of
Maritime Provinces Higher Education Commission

We have audited the accompanying financial statements of **Maritime Provinces Higher Education Commission** (the "Commission"), which comprise the balance sheet as at March 31, 2012 and the statements of committed funds, revenue and expenditures – grants and revenue and expenditures – administration for the year then ended, and the related notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2012 and its results of operations for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Maritime Provinces Higher Education Commission

Balance Sheet

As at March 31, 2012

	2012 $	2011 $
Assets		
Cash	8,553,801	5,551,960
Prepaid expenses	–	21,334
Amounts due from		
Government of Canada	7,567,552	7,160,542
New Brunswick	39,192,198	26,742,080
Newfoundland and Labrador	9,473	181,680
Nova Scotia	522,951	351,975
Prince Edward Island	155,000	898,600
Amount due from the Council of Atlantic Premiers	42,550	22,990
Other receivables	48,431	113,422
	56,091,956	41,044,583
Liabilities		
Accounts payable and accrued liabilities	75,064	105,929
Amounts payable to institutions		
Operating grants	20,680,325	8,268,925
Capital grants	482,909	1,105,114
Other	6,812,208	7,074,208
	27,975,442	16,448,247
Deferred revenue	16,105	16,105
	28,066,611	16,570,281
Committed Funds		
Operating grants	26,302,976	20,060,182
Capital grants	1,722,369	4,414,120
	28,025,345	24,474,302
	56,091,956	41,044,583

Commitments (note 5)

Approved by the Board of Directors

Director

Director

Maritime Provinces Higher Education Commission

Statement of Committed Funds

For the year ended March 31, 2012

	New Brunswick $	Nova Scotia $	Prince Edward Island $	Other $	2012 Total $	2011 Total $
Operating grants						
Balance – Beginning of year	15,478,867	131,913	4,446,861	2,541	20,060,182	17,012,740
Excess of revenue over expenditures for the year	3,755,702	230,431	2,296,661	–	6,282,794	3,087,442
Transfer to administration	(40,000)	–	–	–	(40,000)	(40,000)
Balance – End of year	19,194,569	362,344	6,743,522	2,541	26,302,976	20,060,182
Capital grants						
Balance – Beginning of year	4,397,770	–	16,350	–	4,414,120	4,342,127
Excess of revenue over expenditures (expenditures over revenues) for the year	(2,691,751)	–	–	–	(2,691,751)	71,993
Balance – End of year	1,706,019	–	16,350	–	1,722,369	4,414,120
Committed funds – End of year	20,900,588	362,344	6,759,872	2,541	28,025,345	24,474,302

Maritime Provinces Higher Education Commission

Statement of Revenue and Expenditures – Grants

For the year ended March 31, 2012

	New Brunswick		Nova Scotia (note 1)		Prince Edward Island		Other		Total	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Operating grants										
Revenue										
Grants										
Unrestricted	264,313,481	253,747,214	522,951	351,975	59,776,123	55,608,505	–	–	324,612,555	309,707,694
Restricted	9,555,097	9,386,557	–	–	7,668,800	3,410,901	–	–	17,223,897	12,797,458
Other	–	–	–	–	–	–	7,459,906	7,195,634	7,459,906	7,195,634
	273,868,578	263,133,771	522,951	351,975	67,444,923	59,019,406	7,459,906	7,195,634	349,296,358	329,700,786
Expenditures										
Grants										
Unrestricted (Schedule A)	259,001,767	252,781,968	292,520	296,239	59,027,635	54,842,616	–	–	318,321,922	307,920,823
Restricted (Schedule B)	11,111,109	8,702,178	–	–	6,120,627	2,794,709	–	–	17,231,736	11,496,887
Other activities (note 2)	–	–	–	–	–	–	7,459,906	7,195,634	7,459,906	7,195,634
	270,112,876	261,484,146	292,520	296,239	65,148,262	57,637,325	7,459,906	7,195,634	343,013,564	326,613,344
Excess of revenue over expenditures for the year	3,755,702	1,649,625	230,431	55,736	2,296,661	1,382,081	–	–	6,282,794	3,087,442
Capital grants										
Revenue	7,500,000	15,000,000	–	–	–	1,015,300	–	–	7,500,000	16,015,300
Expenditures (Schedule C)	10,191,751	14,929,971	–	–	–	1,013,336	–	–	10,191,751	15,943,307
Excess of revenue over expenditures (expenditures over revenue) for the year	(2,691,751)	70,029	–	–	–	1,964	–	–	(2,691,751)	71,993

Maritime Provinces Higher Education Commission

Statement of Revenue and Expenditures – Administration

For the year ended March 31, 2012

	2012 $	2011 $
Revenue		
Contributions		
New Brunswick	546,488	552,370
Nova Scotia	685,109	692,483
Prince Edward Island	101,300	102,391
Transfers from operating reserves		
New Brunswick	40,000	40,000
Project revenue	32,456	179,029
	1,405,353	1,566,273
Expenditures		
Salaries and benefits	1,130,710	1,122,920
Office rent	104,710	105,299
Professional services	39,091	103,516
Other services	34,719	24,499
Travel		
Board members	9,836	12,488
Other travel	18,431	22,027
Per diem allowance	4,500	4,950
Special projects, committees and other (note 3)	44,721	128,852
Office supplies, books and subscriptions	9,700	30,499
Office furniture and equipment	19,420	27,388
Publications	8,327	7,532
	1,424,165	1,589,970
Excess of revenue over expenditures (expenditures over revenue) for the year (note 4)	(18,812)	(23,697)

1 Significant accounting policies

Content of these financial statements

In accordance with the Maritime Provinces Higher Education Commission Acts (Section 18, New Brunswick and Prince Edward Island; Section 19, Nova Scotia), the provinces have the option of paying grants to the institutions, either directly or through the Commission. Since the Province of Nova Scotia makes direct payments to Nova Scotia institutions, these financial statements include only the operating and capital grant payments to New Brunswick and Prince Edward Island institutions.

Management estimate

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Property, plant and equipment

The Commission expenses capital assets in the year of acquisition. Had the Commission capitalized and amortized its capital assets, its balance sheet would reflect office equipment and furniture, computer hardware and software and leasehold improvements with a net book value of approximately $68,417 (2011 - $79,622).

Pension plan

The Commission participates in the Pension Plan for Employees of the Council of Atlantic Premiers and Participating Employers. Pension expense is recognized when plan contributions are made or become due. During the year, the Commission recognized pension expenses of $267,897 (2011 - $251,728).

Financial instruments

The Commission has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. Financial instruments consist of amounts receivable, which will result in future cash receipts, as well as amounts payable and deferred revenue, which will result in future cash outlays.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

The fair values of amounts receivable, amounts payable and deferred revenue approximate the carrying values due to their short-terms to maturity.

1 Significant accounting policies (continued)

Financial instruments (continued)

The Commission is exposed to normal credit risk with respect to its amounts receivable. Provisions are maintained for potential credit losses and no such losses have been recognized to date. Management believes the Commission is not exposed to any significant credit risk and no provision for doubtful accounts has been recorded in the accounts.

Future accounting changes

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012, and require retrospective application, except for certain exceptions and exemptions contained within the standards. Early adoption of the standards is permitted. The Commission is currently considering the impact on the adoption of these standards.

2 Other activities

During the year, the Commission disbursed funds on behalf of the following:

	2012 $	2011 $
Government of Canada – contribution to institutions under the Canada/New Brunswick Official Languages in Education Agreement	5,744,673	5,500,241
Government of Canada – contribution program to improve access to health services for official languages minority communities	857,679	1,027,832
Province of Prince Edward Island – Medicine	647,500	495,000
Province of Newfoundland and Labrador – Medicine	6,054	(1,439)
Province of Newfoundland and Labrador – Rehabilitation program seats	204,000	174,000
	7,459,906	7,195,634

3 Special projects, Committees and Other

	2012 $	2011 $
Graduate follow-up surveys	–	88,098
MPHEC Conference/Workshop/Collaboration	1,261	3,490
Committees and other	43,460	37,264
	44,721	128,852

4 Revenue and expenditures – Administration

The unallocated excess of revenue over expenditures (expenditures over revenue) for the year for Administration is considered to be part of the Consolidated Fund and accordingly is included in the amount due to (from) the Council of Atlantic Premiers.

5 Commitments

Office facilities

Future minimum annual lease commitments under a long-term lease for office facilities and office equipment are as follows:

		$
Year ending March 31,	2013	89,793
	2014	89,793
	2015	89,793
	2016	24,758

Maritime Provinces Higher Education Commission

Schedule of Unrestricted Grants Expenditures

For the year ended March 31, 2012 **Schedule A**

	2012 $	2011 $
New Brunswick		
Institutions		
Maritime College of Forest Technology	2,029,153	1,989,366
Mount Allison University	18,983,023	18,483,164
St. Thomas University	11,482,254	11,363,941
Université de Moncton	72,011,307	66,748,595
University of New Brunswick	113,686,792	116,225,795
University of Prince Edward Island – Atlantic Veterinary College	5,242,704	5,401,713
	223,435,233	220,212,574
Interprovincial transfers		
Université de Sherbrooke	1,626,772	1,380,780
Province of Newfoundland and Labrador	1,929,750	1,498,750
Province of Nova Scotia	7,153,400	4,229,300
Province of Ontario	41,277	47,072
Dalhousie University	7,788,051	6,054,087
Province of Québec	4,551,225	7,405,341
	23,090,475	20,615,330
Grants in lieu of Municipal Real Property Taxes	12,412,047	11,883,771
Other	64,012	70,293
	259,001,767	252,781,968
Nova Scotia		
Interprovincial transfers		
Province of Québec	292,520	250,970
MPHEC Graduate Follow-up (GFU) Survey Program	–	45,269
	292,520	296,239
Prince Edward Island		
Institutions		
Holland College	17,940,600	17,418,100
University of Prince Edward Island	34,226,700	31,894,899
	52,167,300	49,312,999
Interprovincial transfers		
Province of Nova Scotia	6,619,900	5,330,100
Province of Ontario	14,759	–
Province of Québec	68,126	98,886
	6,702,785	5,428,986
Other	157,550	100,631
	59,027,635	54,842,616
	318,321,922	307,920,823

Maritime Provinces Higher Education Commission

Schedule of Restricted Grants Expenditures

For the year ended March 31, 2012 **Schedule B**

	2012 $	2011 $
New Brunswick		
Maritime College of Forest Technology	94,860	214,571
Mount Allison University	974,990	956,100
St. Thomas University	784,634	413,007
Université de Moncton	4,041,847	1,185,751
University of New Brunswick	4,442,373	5,136,317
Joint Project – Computer Network	772,405	796,432
	11,111,109	8,702,178
Prince Edward Island		
Holland College	3,619,823	2,144,833
University of Prince Edward Island	2,422,771	560,521
Joint Project – Computer Network	78,033	89,355
	6,120,627	2,794,709
	17,231,736	11,496,887

Maritime Provinces Higher Education Commission

Schedule of Capital Grants Expenditures

For the year ended March 31, 2012 **Schedule C**

	2012 $	2011 $
New Brunswick		
Mount Allison University	1,058,600	1,335,850
St. Thomas University	915,125	1,454,521
Université de Moncton	3,397,794	4,239,850
University of New Brunswick	4,820,232	7,899,750
	10,191,751	14,929,971
Prince Edward Island		
University of Prince Edward Island	–	1,013,336
	10,191,751	15,943,307